

REVENUES AND EXPENDITURES

REVENUE DEFINITIONS AND GUIDELINES FOR EXPENDITURE OF CAPITAL IMPROVEMENT FUNDS

The following information is intended to provide detailed explanation of the revenue sources comprising this plan. There are ten funding sources that fund the CIP: General Funds, Traffic Mitigation, Bedroom Tax, Gas Tax, NPDES, City Building Fund, Measure C, Traffic Congestion Relief Funds, Redevelopment Funds and Grants.

The most consistent revenue sources for the CIP are from Gas Tax allocations and Measure C funds. Each revenue sources have statutory restrictions regarding what types of expenditures are allowed under the controlling statute.

Below are definitions and guidelines for the expenditure of these revenues used for financing Capital Improvement Projects.

GENERAL FUND - City General Fund

There are no restrictions on direct General Fund contributions. The General Fund allocated approximately \$200,000 annually for the next two years and is scheduled to increase funding amounts to compensate for other funding shortfalls. As the City's economic forecast improves and is reevaluated future General Fund allocation can be modified. This budget cycle will contribute a total of \$200,000 in FY08/09 and \$200,000 in FY09/10. The distribution of General Fund monies will only be used to subsidize the Street Resurfacing Program in this budget cycle.

The General Fund indirectly contributes to capital improvements through the support of the Maintenance and Engineering Divisions staff activities. These divisions provide staff support to the CIP by maintaining roads, traffic signals and medians, as well as, administering and carrying out the construction of capital projects.

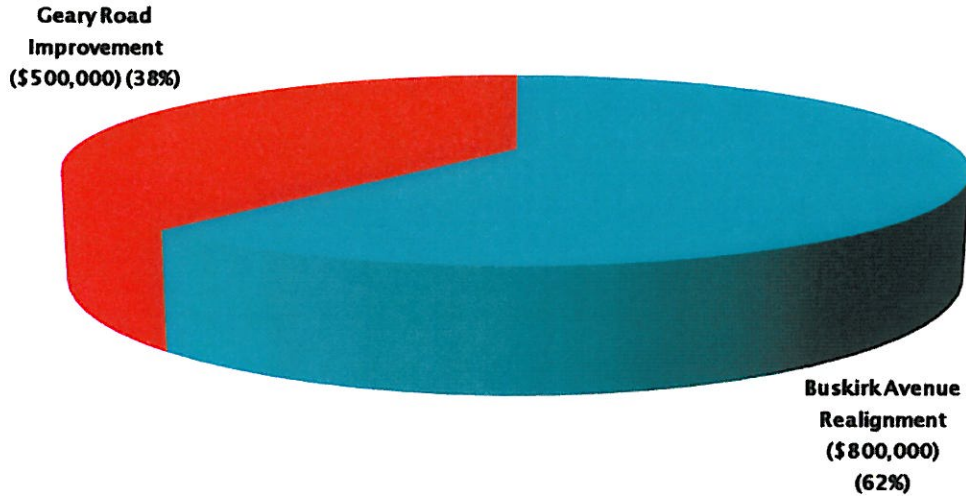
TRAFFIC MITIGATION – Pleasant Hill Developer Tax

Traffic Mitigation Funds (TMF) are collected from development fees. City Council approved and amended our Traffic Mitigation Fee Ordinance on October 6, 2003. The new Ordinance No. 779 establishes a new fee schedule and use of collected fees. TMF are now divided into two separate accounts. Those fees collected prior to December 6, 2003 identified as TMF (Fund 8) those collected on or after December 6, 2003 Identified as TMF (Fund 6).

TMF (Fund 8): Are fees collected for the improvement of existing streets in order to increase their traffic carrying capacity. Two projects are scheduled in the current two year budget for design; Geary Road Improvements (Putnam Boulevard to Pleasant Hill Road) and Buskirk Avenue Improvements.

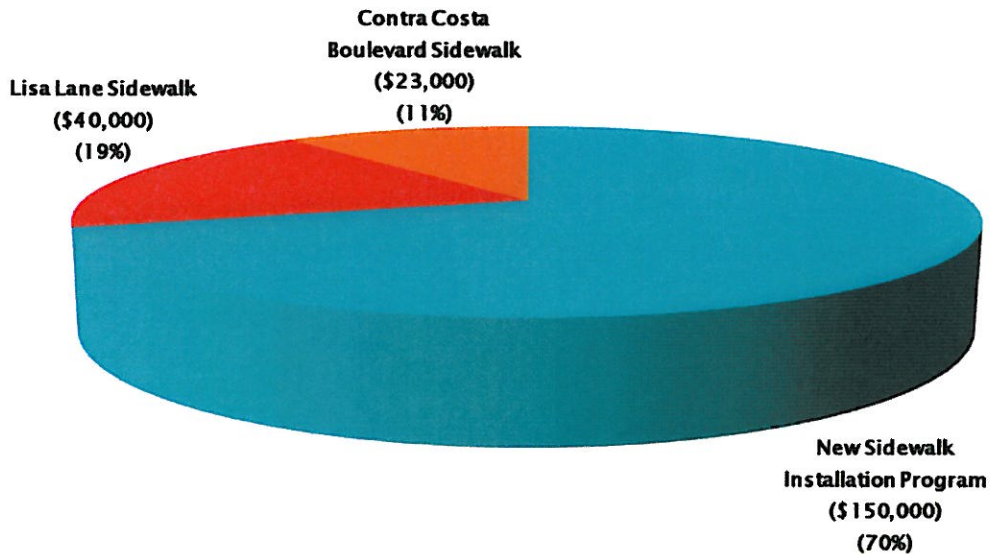
REVENUE SOURCES

Traffic Mitigation Fund 08 (\$1,300,000)



TMF (Fund 06): Are fees collected for upgrades, expansions or additions to the City systems of street improvements and related transit, bicycle and pedestrian facilities. These revenues vary from year to year based on developer activity. Projected revenues are expected to vary from \$20,000 to \$30,000 per year for the next two years.

Traffic Mitigation Fund 06 (\$213,000)



REVENUE SOURCES

BEDROOM TAX – Pleasant Hill Tax

Bedroom Tax Funds are collected from development fees and are to be used for the improvement of public facilities. The Bedroom Tax Fund revenues vary from year to year based on developer activity and is typically allowed to accumulate until funds are large enough to fund larger projects. Projected revenues are expected to vary from \$1,000 to \$1,500 per year, based on the projected housing market and building development slowdown. A total of \$20,000 in funds will be allocated to fund the ADA Program in the next two years.

GAS TAX - State of California Gasoline Taxes

The authorization for the levy and expenditure of gas taxes is codified in the California Streets and Highways Code, Sections 2105, 2106, and 2107. Gas tax is apportioned to cities based upon three factors: vehicle registration, assessed valuation and population.

In the City of Pleasant Hill, gas tax is accounted for in special Revenue Funds 12 and 14. There are restrictions on how this money may be spent. Gas tax funds are audited by the State Controller's Office annually on a retrospective basis. "If an expenditure is for a legal purpose, valid, and supported by sufficient competent evidential matter, no exception will be deemed necessary." Failure to expend gas tax for approved purposes will subject the City to having any disallowed expenditures withheld from a subsequent year's allocation.

a. SECTIONS 2105, 2106 (12-3631) & 2107 (12-3632) GAS TAX

Gas tax allocated under Streets and Highways Code Section 2105 was approved by voters in June of 1990 as Proposition 111. Proposition 111 provides funding for much of the freeway widening work in the State. The Proposition also provides revenues to local jurisdictions to enhance roadway improvement expenditures. The combined revenue (sections 2105, 2106 & 2107) average \$628,000 annually. There are three classifications of eligible expenditures for these revenues:

Construction: "The building or rebuilding of streets, roads, bridges, and construction of right-of-ways or their component parts to a degree that improved traffic service is provided, and geometric or structural improvements are effected including allocated administration and engineering services incurred and directly related to the above." Construction work includes three categories:

1. New location: Where construction deviates from the existing alignment and produces a new street.
2. General reconstruction: Where the geometric and structural features are significantly changed or a roadway realignment is accomplished.
3. Betterments: Enhanced traffic operation and increase to the life of capital facilities.

REVENUE SOURCES

Maintenance: "The preservation and upkeep of a street or road constructed condition, and the operation of a street or road facility and its integral services to provide safe, convenient, and economical highway transportation." Maintenance is divided between:

1. Physical: Preservation of a highway to preserve it in its original condition or an improved condition.
2. Traffic: Services to provide safe, convenient and economical travel. In Pleasant Hill, we expend \$130,000 annually on traffic signal maintenance.

Overhead: "Those elements of cost necessary in the production of an article or performance of a service which are of such a nature that the amount applicable to the functions are not readily discernible. Usually they relate to those objects of expenditure which do not become an integral part of the finished product or service."

Overhead is only allowed if there is an existing approved cost allocation plan that distributes overhead to all departments. The City of Pleasant Hill has chosen not to charge overhead costs to gas tax projects.

b. SECTION 2107.5 GAS TAX (14-3633)

Based upon population alone, gas tax revenues allocated under Streets and Highways Code Section 2107.5 amounts to \$6,000 each year and may be spent on streets and related engineering and administrative costs. The City generally accumulates several years of this fund and interest in Fund 14, and then spends it on a project.

